



DRAFT ENGLISH TRANSLATION OF BANGLADESH SECURITIES AND EXCHANGE COMMISSION (CLEARING & SETTLEMENT) RULES, 2017

Disclaimer: This is not an authentic English Text of Bangladesh Securities and Exchange Commission (Clearing & Settlement) Rules, 2017. This translation is not approved by the Bangladesh Securities and Exchange Commission. Central Counterparty Bangladesh Limited has made this translation for their internal use. In the event of conflict between Bangladesh Securities and Exchange Commission (Clearing & Settlement) Rules, 2017 [বাংলাদেশ সিকিউরিটিজ অ্যান্ড এক্সচেঞ্জ কমিশন (ক্লিয়ারিং অ্যান্ড সেটলমেন্ট) বিধিমালা, ২০১৭] and this translation, Bangladesh Securities and Exchange Commission (Clearing & Settlement) Rules, 2017 shall prevail.

JUNE 13, 2017

Bangladesh Securities and Exchange (Clearing & Settlement) Rules, 2017
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NOTIFICATION

Dated: 11 June 2016

No. BSEC/CMRRCD/2017-356/199/Admin/76.- In exercise of the power conferred by sub-section (1) of section 24 of the Bangladesh Securities and Exchange Commission Act, 1993 (Act. No. XV of 1993) read with section 33 of the Securities and Exchange Ordinance, 1969 (Ordinance No. XVII of 1969); the Bangladesh Securities and Exchange Commission hereby makes, after prior publication, the following Rules, namely:

CHAPTER I

PRELIMINARY

1. Short title and commencement. - (1) These Rules may be called the Bangladesh Securities and Exchange Commission (Clearing and Settlement) Rules, 2017.

(2) These Rules shall come into force with immediate effect.

2. Definitions-(1) In these Rules, unless there is anything repugnant in the subject or context-

(i) “Ordinance” means the Securities and Exchange Ordinance, 1969 (Ordinance No. XVII of 1969);

(ii) “Participant” means a person or entity registered and approved to participate in the settlement system.

(iii) “Act” means the Bangladesh Securities and Exchange Commission Act, 1993 (Act. No. XV of 1993);

(iv) “Investors Protection Fund” means a fund established by Central Counterparty for the purpose of utilizing it to ensure the protection of investors, safeguarding their interest and enabling them to independent decision making.

(v) “Commission” means the Bangladesh Securities and Exchange Commission (BSEC) established under the Bangladesh Securities and Exchange Commission Act, 1993 (১৯৯৩ সনের ১৫ নং আইন) এর অধীনে প্রতিষ্ঠিত বাংলাদেশ সিকিউরিটিস এন্ড এক্সচেঞ্জ কমিশন;

(vi) “Clearing and Settlement Company” means an entity which is incorporated as a public company limited by shares under the Companies Act, 1994 and registered as a Central Counterparty by the Commission under these Rules to manage all the relevant functions of a Central Counterparty, comply with its responsibilities and exercise the power as a Central Counterparty and also to ensure the relevant service in this regard.

(vii) “Clearing” means the process of Central Counterparty to determine the securities and monetary obligations through matching of buy order and sale order placed for securities transactions and it also includes trade management, position management, collateral and risk management and delivery management.

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- (vii) “Strategic Investor” means any foreign entity which has been engaged in the activities of central counterparty or exchange or financial institution and whose investment will ensure more transparency, accountability and speed in managing the activities of Central Counterparty;
- (viii) “Chief Regulatory Officer” or “CRO” means an officer responsible for overseeing and managing all matters related to regulatory affairs of the Central Counterparty;
- (ix) “Chief Risk Management Officer” means an officer responsible for overseeing and managing all matters related to risk management affairs of the Central Counterparty;
- (x) “Schedule” means the schedule annexed to these Rules;
- (xi) “Novation” means the act of Central Counterparty interposing itself as intermediary between both parties of every trade, working as a legal counterpart to both and providing unconditional guarantee to settle all trade;
- (xii) “Registration Certificate” means registration certificate granted under these Rules;
- (xiii) “Board of Directors” means Board of Directors of Central Counterparty;
- (xiv) “FORM” means the FORM in the schedule -1 annexed to these Rules.
- (xv) “Managing Director” or “Chief Executive Officer” means an officer of the Central Counterparty occupying the position of the Managing Director or Chief Executive Officer;
- (xvi) “Person” means any company, partnership business or firm or entity or organization as well as a natural person;
- (xvii) “Business Commencement Certificate” means business commencement certificate granted to the Central Counterparty registered under these Rules;
- (xviii) “Margin” means collateral deposited by the participant or client, where applicable, as a security of the transactions;
- (xix) “Settlement” means all activities of Central Counterparty to transfer the securities and money to the respective payee/creditor for the purpose of settling the obligations of both parties arising out of securities transaction entered into by them;
- (xx) “Central Counter Party” or “CCP” means an entity, in whichever name it is called, to manage the clearing and settlement of securities transactions and relevant activities and interpose itself as intermediaries to take the liabilities of a seller for buyer and of a buyer for the seller as per legal procedure and provide guarantee to pay off their dues;
- (xxi) “CCP policies” means all procedures, process, directions, standard and relevant conditions of Central Counterparty prepared as per law and these Rules, approved by the Board of Directors of the company with prior approval of the Commission to abide by, operate and execute the responsibilities, functions and powers of Central Counterparty properly, safely, easily and with accountability and transparency;

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(xxii) “Independent Director” means such a director of Central Counterparty who represents the investors of the Capital Market to protect their interest and who is not associated with business, service and transaction of Central Counterparty and substantial shareholders or any intermediaries of capital market.

(xxiii) “Settlement Guarantee Fund” means a fund established in accordance with these Rules for the purpose of using in case of failure of obligations and dues relevant to clearing and settlement of securities transactions.

(2) Unless otherwise specifically provided, words and expressions used herein and not defined, but defined in the Securities and Exchange Ordinance, 1969 (Ordinance No. XVII of 1969), Bank Companies Act, 1991 (Act. No. XIV of 1991); Bangladesh Securities and Exchange Commission Act, 1993 (Act. No. XV of 1993), Financial Institution Act 1993 (Act. No. XXVII of 1993), Companies Act 1994 (Act no XVIII of 1994), Depository Act, 1999 (Act. No VI of 1999), Insurance Act, 2010 (Act No 13 of 2010), Exchanges Demutualization Act, 2013 (Act no XV of 2013) shall have the same meaning as assigned to them in the said Acts and Ordinances, and Rules and Regulations made there-under.

3. Clearing and Settlement activities without Registration Certificate and business commencement certificate is illegal: -

A person, after these Rules become effective, shall obtain Registration Certificate as a Central Counter Party from the Commission. No registered person shall operate, carry on its functions or apply its authority to any activities of Clearing and Settlement without obtaining business commencement certificate.

4. Introducing/Establishment of the Clearing and Settlement Procedure/System. -

The Central Counter Party shall introduce/establish and run its own secured, transparent, dependable, responsible clearing and settlement procedure/system for all kind of securities by making necessary laws which will-

- a) ensure clearing and settlement of each trade of securities uninterrupted/continuously and with greater certainty.
- b) guarantee to settle the liabilities of both parties in every trade interposing itself as their intermediaries;
- c) control the activities related to open, maintain and operate the accounts of the participants.
- d) transfer of securities and money of the executed trades
- e) ensure the control, security and secrecy of the clearing and settlement procedure/system.
- f) operate any other activities incidental to, or connected with such matter.

CHAPTER II

**REGISTRATION AS CENTRAL COUNTERPARTY AND COMMENCEMENT OF
BUSINESS OPERATION**

5. **Necessary qualifications for registration:** - any person shall not be qualified to register as central counterparty, if: -
- (a) If the company has not been formed under Company Act 1994 as public limited company by issuing shares and under the framework of this rules;
 - (b) If clearing & settlement functions have not stated in the memorandum of association of the company;
 - (c) If shares of the company is held by any person not mentioned in this rule;
 - (d) If a person or any person related to him holds more than 49% shares of paid up capital of the company at any time;
 - (e) If Stock Exchanges do not hold at least 25% shares of the company singly or jointly.
 - (f) If it is not capable to run clearing & settlement functions in full;
 - (g) If a person fails to fulfill paid up capital and net asset related conditions mentioned in clause 13; and
 - (h) If it or its Board of Directors are not free from bank defaults.
6. **Registration & Certificate issuance:** -
- (1) A person shall apply as per Form 'A' in the schedule to the Commission for registration as central counterparty.
 - (2) With the application, as per sub-clause (1), a bank draft or pay order of Taka one lac should be/is required to be submitted in the name of the Commission.
 - (3) Necessary document to support the information stated in the form and additional document as instructed by the Commission should be/is required to be submitted according to the instruction.
 - (4) If the Commission is satisfied on submitted documents and information, Commission shall inform the applicant regarding acceptance of the application within sixty days after receiving all relevant information and the Commission shall order to submit Taka ten lac as registration fee by mentioning submission period.
 - (5) The Commission shall issue registration certificate in the name of the applicant in accordance with Form-'B' subject to submission of registration fee within the stipulated time period.
 - (6) If the Commission is dissatisfied regarding any of the submitted documents and information with the application then the Commission shall reject the application by mentioning its cause in written within fifteen days after receiving the application and the decision shall be notified to the applicant.
 - (7) The Commission shall can mention observing conditions by the applicant in the registration certificate and the registration certificate shall be effective under stated conditions.
 - (8) The Commission possess the right to cancel the registration certificate if any submitted document proved as false or fake.

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But the condition is, any registration certificate could not be cancelled without providing scope of reasonable hearing.

(9) If there is any changes in any document after it has been submitted to the Commission, the applicant shall inform the Commission of any such changes in written.

7. Payment of annual fee to the Commission: - Taka 05 (Five) lac shall be submitted in the form of pay-order or bank draft in the name of the Commission each year as annual fee of registration certificate within 3 (Three) months of the year end.

8. Commencement of business operation after certification: -

(1) Central counterparty shall submit application for commencement of its business operation to the Commission within 12 months of obtaining registration.

Provided that, the time may be extended by the commission if the central counterparty submits application by stating reasonable cause.

(2) Required document attached with the application for commencement of business operation are:

- i. Modus operandi of clearing and settlement
- ii. Code of conduct of clearing participant
- iii. Operating Manual
- iv. Registration procedure of participants
- v. Other policies and guidelines

(3) If the commission requires more documents to be submitted for acceptance of the application then the central counterparty would submit the documents required by the commission.

(4) The commission may, if necessary, summon the representative or the applicant himself for any explanation or hearing and inspect the premises or other facilities of the applicant.

9. Competency and incompetency for submission of application for commencement of business operation.

i. To act as a central counterparty a person is required to be registered under the BSEC (CnS) Rules, 2017.

ii. Any registered central counterparty will not be permitted to commence the business operation if:

- there is no expert, certain, transparent, responsible and secured physical or logical infrastructure, facilities and human resource to provide clearing & settlement services.
- there is no detail operational rules and regulations (modus operandi, reporting system, complaint disposal, investigation procedures, fine & suspension-resumption of account, account maintenance & audit, special audit management and others).
- There is no system to protect record, file-format or data keeping and transfer system from any kind of damage or misplacement.

- there is not enough RMS & compensation procedures to tackle risks regarding clearing & settlement.

10. Issuance of certificate for commencement of business.

(1) If Commission is satisfied with application submitted, it will accept the application and it will issue the certificate for commencement of business within 45 days in Form-D.

(2) if the commission requires more document or information for perusal of the application submitted, the commission can summon such document or information within 21 (Twenty One) days from the receipt of the application. And after receipt of the additional document and information within the time stipulated by the commission, if the commission considers the application acceptable, it will accept the application and issue certificate for commencement of business.

(3) if the commission considers the application for certificate for commencement of business to be unacceptable, then the commission will provide written reasoning of the same and reject the application.

Provided that, the commission will not reject an application without providing opportunity for reasonable hearing.

Further condition remains, if any application is rejected for a reason, then the applicant can re-apply for the certificate for commencement of business after mending that specific reason.

11. Suspension or Cancellation of Certificate of commencement for Business

Operation: Commission has the right to suspend or cancel the certificate of commencement for business operation of any central counterparty at any time based on written complaint against him:

Provided that, before the suspension or cancellation, Commission must be satisfied that-

- a. There is an alternative arrangement for continuation of the Clearing & Settlement operation; AND
- b. The above suspension or cancellation will be beneficiary to the investors and capital market.

CHAPTER III

**CENTRAL COUNTERPARTY FORMATION STRUCTURE AND
RESPONSIBILITY**

12. Formation Structure-

(1) The ownership of the Central Counterparty will be separate from its Participants

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- (2) The organization will be run by professionally experienced Management team which will be separate from its Shareholders and Participants.
13. **Capital and Net Asset-** the paid-up capital of each Clearing and Settlement Company shall be Taka 300 crore (Three Hundred Crore) and net asset shall be minimum 75% (Seventy Five Percent) of the paid-up capital;
However, provided that the adequate risk based capital shall be reserved as defined by the Commission from time to time.
14. **Shareholders' qualification-** the following types of organizations shall be the shareholder of Clearing and Settlement Company, namely: -
- (a) Exchange;
 - (b) Depository;
 - (c) Bank; and
 - (d) Strategic Investor
15. **Shareholding limit, handover, inclusion, allocation etc.-**
- (1) The shareholding limit for organizations mentioned in **Clause 14**, depending on classification and uniqueness of the organization, shall be as follows: -
- (a) **Exchange:** Exchanges can own maximum of 65% (Sixty Five Percent) of total issued shares and paid-up capital of the Clearing and Settlement Company jointly; however, no Exchange shall own more than 49% (Forty Nine Percent) shares singly;
 - (b) **Depository:** Depository can own maximum of 10% (Ten Percent) of total issued shares and paid-up capital of the Clearing and Settlement Company jointly or singly;
 - (c) **Bank:** Banks can own maximum of 15% (Fifteen Percent) of total issued shares and paid-up capital of the Clearing and Settlement Company jointly; however, no Bank shall own more than 2% (Two Percent) shares singly;
 - (d) **Strategic Investor:** Strategic Investor, acceptable to the Commission, can own maximum of 10% (Ten Percent) of total issued shares and paid-up capital of the Clearing and Settlement Company singly or jointly:
- However, provided that this 10% (Ten Percent) share shall be allocated in favor of any Depository till inclusion of any Strategic Investor:
Further condition remains that if this 10% (Ten Percent) shares for Strategic Investor class is allocated in favor of any Depository, such allocation and the stock dividend of therein shall be blocked until it is handed over to the Strategic Investor.
- (2) If the total demand is less than the defined percentage of any class of shareholders mentioned in sub-clause (1), the unallocated shares shall be reallocated to other shareholding classes as per the decision of the Commission.
- (3) Commission can issue directive regarding shareholding, allocation or reallocation of shares among shareholders of any shareholding classes.

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- (4) No shareholder can handover shares without prior permission of the Commission:
However, provided that the handover of shares shall be inclusive within their own class.
Further condition remains that regarding the handover of shares, the decision of the Commission is final.
- (5) The allocation of shares of Clearing and Settlement Company shall be made in dematerialized form.
- (6) The Clearing & Settlement Company shall enter into agreement with Strategic Investor within 01 (One) year after receiving the directive from the Commission to sale the share at face value, such directive would be issued by the commission within 03 (Three) years of issuance of certificate of commencement for business operation as per clause 10:
However, provided that the Commission has the right to extend the time line for respective Clearing and Settlement Company with reasonable causes.

16. Structure of Board of Directors:

- (1) The Board of Directors of Central Counterparty shall be formed by Shareholding Directors, Independent Directors, and Managing Director and the number of Board of Directors shall be 14 (Fourteen), which shall be as follows: -
- (a) There will be a number of 7 (Seven) independent directors. The Board of Directors of Clearing and Settlement Company shall propose the list of maximum of 02 (Two) names against each post to the Commission, from whom the Commission shall declare the list of independent directors if acceptable; but, if the proposed list is not acceptable to the Commission then the Board of Directors of Central Counterparty shall propose the list of maximum 02 (in word two) names against each vacant post again.
However, provided that the Commission shall appoint the independent directors for first Board of Directors of Central Counterparty without any proposal.
- (b) There will be 03(Three) shareholding directors from the Exchanges;
However, provided that minimum of one director shall represent each exchange.
- (c) There will be 1 (one) director nominated or elected by the Board of Directors of shareholding Depository.
- (d) There will be 1(One) director nominated or elected by the Bank shareholding group.
- (e) There will be 1(One) director nominated or elected by the Strategic Investor; provided that the post shall vacant till the inclusion of Strategic Investor.
- (f) The Managing Director of Central Counterparty shall be an ex-officio member of the Board of Directors and he will have the power of voting.
- (2) Any participant or his representative cannot be a Director of the Central Counterparty.

- (3) The Board of Directors shall elect the Chairman from Independent Directors in its first meeting.

17. Term of Board of Directors: -

The term of the Board of Directors of Central Counterparty shall be as follows: -

- (1) Any Director shall not be elected for more than two terms consecutively and he can be elected again after interval of one term;
- (2) Independent Directors shall be nominated for 03 (Three) year's term and his nomination can be renewed for the next term with the request of Board of Directors of the Central Counterparty and the approval of the Commission accordingly. However, after that, he cannot be again nominated to qualify for Independent Director without the interval of 1(One) term.
- (3) Managing Director shall not be recruited for more than 04 (Four) years term. However, with the request of the Board of Directors of Central Counterparty and approval of the Commission accordingly, he can be recruited for the next term.

18. Qualification, disqualification and obligation of Director, Managing Director and other Management Officers: - the qualification, disqualification and obligation of Director, Managing Director and other Management Officers shall be determined by Schedule-2 of these rules.

19. Duties and Responsibilities of Central Counterparty: -

- (1) Withstanding the other clauses of this Rules, the duties and responsibilities of Central Counterparty shall be as follows: -
 - (a) For each securities transaction, Central Counterparty shall act as buyer to each sale and seller to each buy and shall provide the guarantee of settlement and completion of clearing & settlement activities at scheduled time;
 - (b) To ensure others settlement in case of inability to fulfill obligation by any participant;
 - (c) To ensure the monitoring and observation of combined position of overall transaction of securities for each participant and to ensure correction or punishment (account freezing or suspension) against errors and defaults;
 - (d) To determine margin against each participant considering ability to carry risk, position risk, movement of market price, types of transaction and types of securities etc. and to ensure the collection of collateral by monitoring transactions completed by the participants and his clients in relevant cases;
 - (e) To ensure the adjustment of transaction of clients of a participant in case of his inability to clear obligation and to stop the participant to take more liabilities;
 - (f) To determine the security instrument type, value and period deposited by the participant and his clients in relevant cases; besides, to ensure forced margin collection from participant's clients in case of derivative transaction; and to ensure receive of participant's margin and his clients' margin in all cases separately;

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- (g) Formation and conservation of “**Settlement Guaranty Fund**” and “**Investor Protection Fund**” and with approval of the Commission formulation of its control method, subscription rate and user regulation;
 - (h) Formulation of Risk Management Regulations
 - (i) To introduce full and automatic clearing and settlement system, which shall be integrated with exchange, depository, participant and banking systems and to make required agreements in this regard;
 - (j) To manage regulatory affairs of clearing and settlement system separately from other divisional functions of CCP;
 - (k) To determine qualification and experience of its officers and staffs and formulation of their code of conduct;
 - (l) To ensure transparent structure to provide equal and fair participation to all regarding clearing and settlement functions;
 - (m) To formulate and introduce equivalent, uninterrupted, transparent and impartial clearing and settlement system for all;
 - (n) Not to provide any service without prior approval of the Commission other than clearing and settlement related functions;
 - (o) To manage its activities independently without protecting any director, employee or other individual or collective interests;
 - (p) To abide by securities related rules, regulations, CCP policies, directives and instructions;
 - (q) To accomplish other duties and responsibilities as per order of the Commission from time to time.
- (2) As per law and rules related to securities the Central Counterparty shall formulate its regulations with prior approval of the Commission to function appropriately, exercise power, carry on duties, namely: -
- (a) Qualification and recruitment of Directors, Managing Director and other officers;
 - (b) Code of conduct of directors and management employees
 - (c) Salary-allowances and recruitment policy of management employees
 - (d) Clearing participant and trading participant’s affairs
 - (e) In settlement guaranty fund, CCP and each participant’s subscription rate, nature, conditions, withdrawal from fund, fund usages policies, defaulting fines and punishment arrangements;
 - (f) Formulation of relevant regulations, process and conditions to manage Investor Protection Fund and to arrange investor awareness programs;
 - (g) Any other subject mentioned in this rule;
 - (h) Any other subjects determined by the directives of the Commission from time to time.
- (3) The special responsibilities of directors in addition to other responsibilities are as below, namely: -
- (a) To protect the interest of investors the Central Counterparty shall play its appropriate roles;

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- (b) CCP shall take necessary rapid action of disposal & prevention against investors' compliant and encourage all relevant parties to exercise fair practices regarding securities transaction;
- (c) To ensure intimation to the Commission regarding all necessary matters as per securities rules;
- (d) If there is no compulsion of law, not to disclose any confidential matter;
- (e) not to use any confidential information directly or indirectly for their own interest;
- (f) Chairperson and Directors shall be involved in setting up the policy of the Central Counterparty and shall set up the policy within possible minimum time as per clause 19(1) of this rule; shall not be involved in any activities which impedes the independence of management or day to day activities;
- (g) Shall ensure transparency and impartiality in any matter relating to Central Counterparty and Investors interest.

20. Recruitment, dismissal and power of Managing Director: -

To meet the purposes of these rules by ensuring flawless accomplishment of the given responsibilities to Central Counterparty, with prior permission from the Commission, the Board of Directors shall recruit the "Managing Director" with following terms and conditions:

(1) The terms and conditions of recruitment of Managing Director are as below, namely:

- (a) A fulltime "Managing Director" shall be recruited;
- (b) The recruited Managing Director shall not be involved in any Exchange or, Exchanges' TREC Holders or, Asset Management Company of any TREC Holder or, any issuer company or, direct or indirect involvement to securities business; at the same time, he shall not be a shareholder or a sponsor or a director of any merchant bank;
- (c) The tenure of Managing Director shall be 4 (Four) years, which can be extended with the prior permission of the Commission;
Provided that any person who has completed 65 (Sixty-Five) years shall not be eligible for recruitment as a Managing Director or shall not continue more as a Managing Director;
- (d) If Managing Director fails to discharge his responsibilities or is convicted for misconduct or ethical deviation then the Board of Directors can dismiss or remove him (whichever is applicable) with the prior permission from the Commission; but decisions as such should be passed by at least two third majority votes of members of Board of Directors in its special meeting.
Provided that before taking decisions to remove or dismiss the Managing Director, he has to be given reasonable time for written or verbal justification against the complaints;

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- (e) If Managing Director would like to resign, he should submit resignation letter 3 (Three) months prior to the Chairman of the Board and shall deliver a copy to the Commission.
 - (f) If the post of the Managing Director is vacant or he is unable to continue discharging his responsibility for any reason, the respective next high official shall continue the responsibilities for interim period as Managing Director (acting);
 - (g) If the Board of Directors fails to recruit the Managing Director within 90 (Ninety) days after the vacancy, then the Commission can recruit eligible person for the post for certain period by its own jurisdiction, if necessary. But the respective company shall pay his salary and other facilities;
 - (h) The Commission can give instruction about the competency of the Managing Director from time to time, if necessary.
- (2) The power and responsibility of Managing Director is as bellow, namely:**
- (a) The Managing Director shall implement all law, rules, regulations, instructions, directives, sub-rules related to securities market and issued instructions, directives by the Commission and the Board of Directors from time to time; But the condition is, if there is a contradiction in between issued instruction or directive by the Commission and by the Board of Directors, in that case the instruction or directive given by the Commission shall be prevalent and considered as final;
 - (b) The Managing Director shall ensure the compliance of these rules and the supervise the functions of officers and staffs of the Central Counterparty;
 - (c) Other than the Risk Management Committee, the Managing Director shall be the member secretary in all committee formed by the Board of Directors; But the condition is, the Managing Director shall not be member of the disciplinary committee formed against him.
 - (d) In an emergency, the Managing Director can exercise additional power and responsibility with prior intimation to the Chairman of the Board of Directors and the Commission simultaneously; but this exercise has to be obtained approval from the next Board meeting as post facto;
 - (e) The Managing Director shall submit report to the Commission and Board of Directors as required by the Commission regarding administrative functionalities and compliance of respective laws, rules, regulations, instructions or orders;
 - (f) To take appropriate measures to protect interest of investors and shareholders;
 - (g) To ensure independent, impartial, transparent, efficient and accountable management;
 - (h) To ensure effective administration, efficient financial and general management
 - (i) To ensure the use of appropriate information technology;
 - (j) If there is any dissidence between policy, instruction or order by the Board of Central Counterparty and by the Commission then the Commission made

policy, instruction or order shall prevail over the Board's policy, instruction or order.

21. Formation of Committee and responsibilities:

- (1) Board of Directors of Central Counterparty shall form the following committees to ensure optimum performance of vested responsibilities and corporate governance;
 - (a) **Advisory Committee:** this committee shall give the Board on non-regulatory and management advices in addition to technological affairs, different types of services, Clearing & Settlement charges, and regulatory fees. This committee shall be form by clearing member representative and the Chairman of the Board of CCP shall be the Chairman of this committee.
 - (b) **Risk Management Committee:** this committee shall be formed in combination of independent directors and shareholding directors and its decisions should be informed to the Board of Directors. This committee shall formulate a detail risk management policy which shall be approved by the management. The head of risk management division shall be the member secretary of this committee and shall be obliged to implement the decision of this committee; this committee shall evaluate the progress of implementation of risk management policy and shall inform the Commission and the Board of Directors;
 - (c) **Audit Committee:** an audit committee shall be formed in accordance with corporate governance made by the Commission from time to time. This committee shall ensure the compliance of provisions made by the Commission;
 - (d) **Disciplinary Committee:** a disciplinary committee shall be formed under the Board of Directors to evaluate the progresses of implementation of morality policies. At least two members of this committee shall be from independent directors of CCP.
- (2) CCP Board shall inform the Commission regarding the formation of committees as per sub-clause 1.

But the condition is, Commission shall have the right to issue any directives regarding the formation and responsibilities of above mentioned committees.

22. Code of Conduct of Directors: - Directors shall abide by the code of conduct as mentioned in Schedule-3 to manage CCP functionalities fairly and neatly.

23. Service Fee of Central Counterparty: -

- (1) The Commission shall issue order to determine regulatory fee, collection and realization to Central Counterparty:

But the condition is, any amount other than service fee [e.g. cost recovery, deposit etc.] shall be determined and realized subject to prior approval of the Commission.
- (2) Upon prior approval and instruction of the Commission the Central Counterparty can determine and realize the regulatory fees.

24. Complaint mitigation: -

- (1) Central Counterparty shall keep appropriate records of all complaints submitted by addressing it and shall take immediate action for complaint resolution in order.
- (2) Formulation and application of Alternative Dispute Resolution management.
- (3) If the central counterparty fails to resolve the complaint then it shall be submitted to the Commission for resolution.

25. Report to the Commission: -

- (1) Among others, CCP shall submit written reports within the timeline mentioned below, namely: -
 - (a) Short sale report of last trading day (if any) shall be submitted by the next trading day after its settlement.
 - (b) Punishment against any participant within the next working day;
 - (c) if there is any disastrous issue regarding the system then immediately; and
 - (d) Central Counterparty shall submit half-yearly report within next one month and annual report and audited financial report within next 04 (Four) months.
- (2) The Central Counterparty shall be obliged to submit any other information to the Commission in accordance with the order of the Commission.

26. Agreements between Central Counterparty and others, rights and obligations: -

- (1) Central Counterparty, Participant and Customer rights and obligations shall be determined by other rules-regulations, CCP policy including these rules and agreements made among related parties:
But the condition is, if any problem arises in this regard, then the Commission's decision shall be considered as final.
- (2) To discharge the responsibilities of the Central Counterparty, CCP shall make required bilateral or multilateral agreements with exchange, depository, clearing banks; whereinto;
 - (a) agreements shall be made in between the exchanges and the central counterparty wherein amongst others, rights, obligations, securities inclusion for clearing & settlement, risk management, clearing & settlement fees & charges and other subject matters will be included;
 - (b) agreements shall be made in between depository and central counterparty wherein amongst others, rights, obligations, securities delivery for clearing & settlement, risk management, clearing & settlement fees & charges and other subject matters will be included;
 - (c) agreements shall be made in between bank and central counterparty wherein amongst others, rights, obligations, financial transaction process for clearing & settlement, risk management, clearing & settlement fees & charges and other subject matters will be included;
 - (d) For resolution of any complaint or claim regarding clearing & settlement, the exchange, depository, clearing banks and central counterparty shall include intermediary approach in their respective agreements to resolve the same.

27. Internal assessment, monitoring and control arrangement: -

- (a) To ensure system, code of conduct, control & security, the central counterparty shall have enough internal assessment, monitoring and control arrangement.
- (b) To control abovementioned arrangements, central counterparty shall ensure specific responsibility and accountability.
- (c) To facilitate audit and inquiry, the Central counterparty shall have the audit trail system.
- (d) To ensure the separation of regulatory affairs, central counterparty shall take a transparent policy which shall separate the regulatory division from other divisional activities. Employee of the regulatory division shall not provide any information related to regulatory affairs to anyone without request of the Managing Director. But the regulatory affairs department will inform the Chief Executive Officer about all the matters and seek his advice if necessary.

28. Information, records etc. conservation measures: -

- (1) Central counterparty, among others, shall preserve information, records etc. mentioned below in accordance with as determined method, namely: -
 - (a) Record of settled transactions;
 - (b) Participant wise settlement of transaction list or index;
 - (c) Records of given and received instructions to and from all participants;
 - (d) Detail description about all participants;
 - (e) Other information or record determined by the Commission from time to time.
- (2) Central counterparty shall inform the Commission in advance in written where its information, record and document shall be preserved.
- (3) According to compliance of other rules, central counterparty shall preserve its information, records and documents for at least seven years.

29. Regular Inspection System: - for proper management purpose, central counterparty shall inspect its own and participants' system, activities, control & security arrangement regularly and submit a copy of inspection report to the Commission.

30. Effective electronic communication and protection mechanism by central counterparty: - central counterparty shall ensure the effective electronic communication with participants, exchange, depository, clearing bank and other persons, authority or organizations as instructed by the Commission and to ensure their protection mechanism.

31. Cooperation with other person or organization: - central counterparty shall maintain such cooperation with each participant, exchange, depository, clearing bank and other person, authority or organization as instructed by the Commission to ensure reliable, fast and secured services.

32. Coordination with clearing & settlement system: - if the Commission approves any proposed changes in clearing & settlement system made by the central counterparty then the central counterparty shall inform the exchange and depository the matter as soon as possible and the exchange and the depository shall take necessary steps to adjust the changes approved by the Commission in their own system.

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- 33. Compensation arrangement:** - if any one suffers loss and damages due to the functions of the central counterparty then the central counterparty shall have enough arrangement which may include insurance to compensate them:
But the condition is, the insurance company, its subsidiary or their officials, shareholder or representative shall not be included in the Board of Directors of the central counterparty during the period of insurance.
- 34. Responsibility or duty delegation prohibition:** - central counterparty shall not delegate its clearing & settlement functions to other parties without prior approval of the Commission.

CHAPTER IV
REGISTRATION AND RESPONSIBILITIES OF CENTRAL COUNTERPARTY AND PARTICIPANTS

35. Classification of participants and their responsibilities

- (1) Followings are the category of Clearing Participants:
 - (a) **Self-Clearing participant:** Only the stock brokers and stock dealers are eligible to be Self-Clearing participants who can participate in Clearing and Settlement on behalf of their clients or on their own.
 - (b) **Full Clearing participant:** Only high net worth institutions are eligible to be Full Clearing Participants who can participate in Clearing and Settlement not only on behalf of their clients and on their own but also for other trade participants.
- (2) There must be eligibility criteria for the Clearing Participant defined by the Clearing Company.
- (3) Responsibilities of the Clearing Participants, amongst other, are as follows:
 - (a) shall abide by the Laws, Rules, Regulations, Guidelines, Manuals related with Securities trading, Clearing and Settlement.
 - (b) Shall deposit margin in due time and where applicable, collect margin from clients and deposit them as well.
 - (c) Shall make agreements in applicable cases and comply with the clauses of the agreement.
 - (d) Shall not use client's fund or securities in any case to settle their own obligations.
 - (e) shall pay all dues of the Central Counterparty and Exchanges in due time.

36. Application to be clearing Participants

- (1) Without getting registration certificate no one shall act as Participant.
- (2) For registration of the participants:
 - (a) Persons who are interested to be Participants are required to apply to the Commission in a prescribed form No. E with recommendation from the Central Counterparty by providing fees.
 - (b) Along with all the documents and information required in the said Application form, it should be submitted with a pay-order or bank draft of the amount mentioned below:
For self-clearing participant, fee is Tk. 25,000
For full clearing participant fee is Tk. 50,000.
 - (c) Central Counterparty shall submit the pay-order or the bank draft along with the application to the Commission by filling the applicable area of the form within seven business days.
 - (d) If Central Counterparty is not satisfied with the form submitted by the Clearing Participants, Central Counterparty shall return the pay-order or the bank draft along

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with application form within seven business days mentioning the reason for non-recommendation of the application. A copy of same shall be sent to the commission. But the condition is, if the applicant whose application has been chosen not to be recommended to the commission may resubmit application by rectifying the shortcomings.

37. Eligibility criteria for the Clearing Participant

An applicant will be eligible to be registered as a participant, if the applicant is classified in any of the classes mentioned below:

- (1) Eligibility criteria for the Self-Clearing Participants:
 - (a) shall be a Stock Broker or Stock Dealer
 - (b) shall have infrastructure, security and resources defined by the Central Counterparty.
 - (c) Must maintain risk based capital adequacy ratio defined by the Commission.
- (2) Eligibility criteria for the Full Clearing Participants:
 - (a) Any Bank registered under Bank Companies Act, 1991
 - (b) Financial Institution registered under Financial Institutions Act, 1993
 - (c) Stock Broker and Stock Dealer registered with the Commission
 - (d) paid-up-capital should be at least of Tk. 50 crore. And the Commission may revise it time to time.
 - (e) Must have infrastructure, security and resources defined by the Central Counterparty.
 - (f) Must maintain risk based capital adequacy ratio.

38. Registration of the Clearing Participants

- (1) After receiving the application from the participant, if the commission is satisfied that the application is acceptable under these rules then the Commission will issue registration certificate (Form F) to the Clearing Participant within thirty business days.
- (2) To evaluate the application submitted if the Commission requires more information then the commission may ask for further information within fifteen business days and for submission of the additional information the commission will provide a new deadline and after submission of the further information if the commission is satisfied that the application is acceptable then the commission will accept the application and issue registration certificate in favour of the applicant.
- (3) After evaluating the application if Commission is not satisfied with the submission or arrives in the decision that accepting the application would be detrimental to the stock market or the public interest then Commission may reject the application by showing appropriate reason in written.
Provided that the applicant may resubmit the application through the central counterparty by rectifying the reasons for rejection.

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- (4) Validity of the registration certificate will be of 5 years from the date of issuance of the certificate.
- (5) If at any later stage, there is any change in the information submitted by the Clearing Participant, in that case Clearing Participant must inform about the changes in writing to the Commission and the central counterparty immediately.
- (6) In each incident of renewal, registration certificate can be renewed by submission of an application provided in the table of Schedule-3 along with the Renewal fee for registration certificate to the commission must be submitted either by pay-order or bank draft through the central counterparty. The amount of the renewal fee is mentioned below:

for full Clearing Participant the renewal fee is 1 lac for five years

for Self-Clearing Participant the renewal fee is 50,000 for five years.

- (7) As per sub-clause No. 6 Application for renewal of certificate needs to be submitted before one month of expiration of certificate. If Clearing Participant is unable to submit the application, fine of Tk. 500 shall be applicable for each day which should be submitted to the commission.

39. Connectivity with the Clearing Company by the Clearing Participant

Participant will ensure effective electronic connectivity with the Central Counterparty as defined by Central Counterparty.

40. Preservation of information and records of the Participant

- (1) Participant must preserve all the information and records in a manner defined by the Central Counterparty for internal audit and valuation system.
- (2) Participant must check all records with the Central Counterparty every day.
- (3) Participant must submit return to the Central Counterparty for the period and in the manner defined by the Central Counterparty.
- (4) Participant must submit documents required in the demand note to the Commission as and when instructed.
- (5) Participant must maintain the following records, information, amongst others, for inspection and examination by the Central Counterparty or any person or institution authorized by the commission:
 - (a) Each transaction information of the Central Counterparty and its account holders.
 - (b) All records of Clearing and Settlement through the Participants. AND
 - (c) All accounts submitted by the account holder and the statements provided to the account holder by the participant.
- (6) Participant shall inform, in written, the Central Counterparty and the Commission regarding the place where the records and information will be preserved. If there is any

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change in the place, Participant must inform the Central Counterparty and the Commission regarding the change.

(7) Withstanding any other applicable laws, participants will preserve the records and information for at least 7 (Seven) years.

41. Inspection of the Clearing Participants

Commission or Central Counterparty or any person appointed by them may inspect the office or the place of work of the Participant at any time to check the activities, records, information, system etc. of the Participant.

42. Restriction of delegation

No Clearing Participant shall be allowed to delegate his responsibilities to any other person without prior approval from the Commission.

CHAPTER V

MISCELLANEOUS

43. Issuance of Order or Directive and Compliance. -The provisions of these Rules shall be complied as issuance of orders and directives under Securities and Exchange Ordinance, 1969 and Bangladesh Securities and Exchange Commission, 1993:

Provided that the Commission may issue any order or directive from time to time to control the Clearing and Settlement activities properly.

44. Declaration of State of Emergency - (1) In the event of situations beyond control of the Central Counterparty (e.g. earthquake, act of sabotage, natural disasters, fires etc.), causing damage or disruptions in communication, electricity supply, telephone connection, the central counterparty may, in consultation with the Commission, declare a State of Emergency.

(2) The Central Counterparty may, in a declared state of emergency, take special temporary measures for transaction processing details of which the Central Counterparty shall inform in writing to the Commission forthwith within 6 hours.

45. Disaster Recovery system and procedure – The Central Counterparty shall have adequate disaster recovery system to promptly deal with any disaster arising from any technical flaws or any other reason and the procedures pertaining to this shall be specified in the CCP regulations/manual.

46. Information Security of Central Counterparty.-(1) In addition to the disaster recovery system, Central Counterparty shall take all such steps so that the data preserved in the Central Counterparty is safe and secure, it is not destroyed or distorted, inward and outward data transmission of the Central Counterparty is encrypted and no-one can access or use the said data in any way other than as per provisions of the laws including these Rules or the CCP Bye-Laws or procedures prescribed thereunder.

(2) Central Counterparty will maintain all information and data relevant to Clearing and Settlement in at least two separate places along with a seismic zone different from its location for at least 10 (Ten) years.

47. Winding up provisions for Central Counterparty. - any central counterparty that wishes to wind up its business shall first of all seek the permission of the Commission by an application in writing providing the following information:

- (a) Reason for winding up of;
- (b) A description of the process of winding up;
- (c) A description of the procedure for preserving the safety and custody of the information held at the Central Counterparty and the manner in which the information shall be dealt with following the winding up of the Central Counterparty;
- (d) A detailed description of arrangements for fulfilling contractual obligations of the Central Counterparty in respect of security related matters with such persons and institutions and any other related entities; and
- (e) Any other information sought by the Commission:

Provided that, only after receipt of a written approval from the Commission, the Central Counterparty may commence its winding up process.

48. Agreement between Central Counter Party, Exchange and Depository- The relationship between Central Counter Party, Exchange and Depository will be prescribed by the mutual agreement.

49. Obligation to operate the activities in the interest of investors- The Central Counter Party will always operate its activities in the interest of public i.e. to safeguard the interest of investors and in case of any conflict with its own interest, the Central Counter Party shall give priority to the public or investor's interest.

50. Duties of Exchange on Clearing and Settlement related matters: - Without limiting or prejudice other duties, the Exchanges shall have the following duties in the Clearing and Settlement related matters: -

- (i) To provide information to the Central Counter Party of each and every transaction executed in the Exchange;
- (ii) Not to allow any trading participant to trade more than the trade limit prescribed by the Central Counter Party;
- (iii) Guarantee to comply with laws related to Clearing and Settlement during Trade;
- (iv) Proper adherence to other duties related to such matter as prescribed by the Commission.

51. Inspection or Enquiry. - (1) The Commission may undertake inspection or enquiry on any activities of directors, employees and participants of Central Counterparty.

(2) Such inspection or enquiry will be made as per relevant clauses of Securities and Exchange Ordinance, 1969 or Bangladesh Securities and Exchange Act, 1993 and regulatory activities will be initiated under the relevant clauses.

(3) The Central Counterparty shall regularly conduct inspection on the activities of the participants and send the inspection report to the Commission for taking necessary action.

52. Maintenance of books accounts and records. - (1) The Central Counterparty shall maintain the following books, records and documents for each financial year: -

- (i) Balance Sheet
- (ii) Profit-loss account
- (iii) Statement of income and expenditure
- (iv) Auditor's report on the Account

(2) The books of accounts, records and documents specified in these Rules shall be preserved for a period of 12(twelve) years.

(3) Central Counterparty shall, at the end of each financial year, compulsorily submit to the Commission the Balance Sheet, Profit-loss account, Statement of income and expenditure and other statement as per Commission's requirement, if any.

53. Unaudited Account statement. - The Central Counter Party shall, submit to the Commission 1st quarterly financial statement (unaudited) within 45 (forty five) days of end of

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the first quarter (Q1) of the Financial year, 2nd and 3rd quarterly financial statement (unaudited) within 30 (thirty) days of end of respective quarter of the financial year.

54. Management takeover and appointment of administrator. - If it appears to the Commission that any Central Counter Party have been-

- (i) failing to safeguard or neglecting the interest of investors or involving in activities with ill(dishonest) motive; or
- (ii) doing any harmful work against the interest of country's economy,

in such case the Commission, after giving the Central Counter Party an opportunity of reasonable hearing, may operate its management by taking over the Board of Directors and run the administration through appointment of administrator for the time period mentioned in the order to be issued for this purpose.

55. Maintenance of secrecy.- No director, member, Chief Executive Officer, employee, member of the Committee, shareholder or participant of Central Counter Party, or any person shall except with the permission of the Commission, disclose to any person or make securities transaction on the basis of price sensitive information, related other information or information received from Market Surveillance which he has obtained in the course of the performance of any functions in the Clearing and Settlement related activities or otherwise.

56. Shift/transfer of existing Clearing and Settlement system of the Exchange to Registered Central Counter Party- (1) The Exchange shall be allowed to carry out its existing clearing and settlement system for three months from the date, the registered Central Counterparty obtains Business commencement certificate and within these three months the existing clearing and settlement system of the Exchange shall be shifted to the registered Central Counterparty having Business commencement certificate and hereafter:
Provided that the Commission may extend this time limit in special cases/circumstances.

(2) After three months of obtaining Business commencement certificate by the Registered Central Counterparty or completion of the time to be extended by the Commission, the clearing and settlement functions/activities of all transactions executed in the capital market shall vest in the registered Central Counterparty and this function in no way shall be done in any other means or method other than through this means.

(3) With effect of/After transferring the prior relevant activities of clearing and settlement procedure and activities of the Exchanges to the registered Central Counterparty having Business commencement certificate as per sub rule 1 above -

- (i) any order or directive given as per law, rules and regulations shall be binding on the Central Counterparty;
- (ii) there will be no change in any right, benefit, duty, responsibility, agreement or assets, liabilities and any legal proceeding initiated against it will not be considered as defective and any legal proceeding continuing against it or initiated by it shall run and remain to be continued.
- (iii) no limitation on initiating legal proceedings against any person which may arise for violating any rules and regulations;

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- (iv) any approval, undertaking, disclaimer on limitation of liabilities, exemption, resolution passed and action taken, paid fees, executed collateral and transfer, books, action done so far or action executed for them shall be in force as before and remain effective.

(4) The Commission may issue any order or give any direction to the Exchange or company or participant or any other organization to resolve any difficulty which may arise while shifting of existing clearing and settlement system of the Exchange to the registered Central Counterparty having business commencement certificate.

57. Power to give exemption- The Commission may, for the public interest and for the purpose of the Rules, exempt any person who applies in writing with reasonable ground, from the prerequisite of any of the provisions of this Rules

58. Clarification, instructions. - The Commission may provide clarifications or interpretation of any provision of these Rules in case of arising any confusion and may issue instructions and guidelines to the concerned in this regard keeping in line with existing laws and rules.

SCHEDULE-1

FORMS

FORM-A

[RULE 6, SUB-RULE 1]

APPLICATION FOR REGISTRATION AS A CENTRAL COUNTERPARTY

INSTRUCTIONS

- (a) The application should be submitted in the Commission office along with all the necessary documents.
 - (b) This application should be filled up according to the rules.
 - (c) The application will only be considered if the application is completed in every aspect.
 - (d) All the information should be typed. Any additional information required should be attached to the form in separate pages.
 - (e) The pay order mentioned in Sub-rule 2 should be submitted with the form.
 - (f) Every page of the instant form and all the documents attached with the application should be signed by the applicant in every page.
 - (g) All the copies of the documents submitted with the form should be attested by a Notary Public.
-

First part (to be filled by the applicant)

1. (a) Name of the Central Counterparty-
(b) Registered office-
(c) Telephone Number-
(d) Fax Number-
(e) E-mail-
2. Applicant's
(a) Date of registration under the Companies Act (Registration certificate, Memorandum of Associations and Articles of Association should be attached)-
(b) (1) Authorized Capital-
(2) Issued Capital-
(3) Paid up Capital-
(c) Each shareholders' present and proposed share amount-
3. Every Director of the applicant and Applicant's Chief Executive Officer's-
(a) Name-
(b) Age-
(c) Nationality-
(d) Educational Qualification and Experience (In case of Chief Executive Officer)-
(e) Directorship in any other company (If any)-
(f) Accusation or conviction in any criminal offence (if any) (details should be given)

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4. (a) Details of applicant's present and proposed man power and office infrastructure before starting functions of central counterparty-
- (b) Office buildings-
- (c) Automated data processing-
- (d) Data storage and backup system-
- (e) Internal audit and supervision system-

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Declaration

We, hereby declare that, all the information provided and the documents attached and additionally submitted documents are true and correct;

And we also declare that, if there is any change in the aforementioned information, we shall notify the commission in written without any delay;

And we also declare that, we shall abide by all the rules and regulations provided by the commission from time to time as per Bangladesh Securities and Exchange Commission Act, 1993 (No. 15 Act of 1993), Bangladesh Securities and Exchange Commission (Clearing and Settlement) Rules, 2017.

Signature

For the Applicant -----

Name-

Address-

Designation-

Date-

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Second part

(Should be filled up by every entrepreneur)

1. Entrepreneur of Central Counterparty's
 - (a) Name-
 - (b) Address-
 - (c) Mailing address-
 - (d) Telephone-
 - (e) Fax Number-
 - (f) E-mail-
2. If the entrepreneur is the shareholder or entrepreneur in any other Central Counterparty, then name of the Central Counterparty-
3. Classification of the Entrepreneur as per Rule-15-
4. If the entrepreneur is registered or established under any Act then its name and registration or establishment date (Registration Certificate, Memorandum of Associations and Articles of Association or copy of the Act should be attached)
5. Objective and purpose of the Entrepreneur-
6. Functions managed by the Entrepreneur-
7. Entrepreneur affiliated entity or company affiliated with the entrepreneur and functions of those affiliated entities - (if any)-
8. Details if the entrepreneur is registered with the commission or the Bangladesh Bank or any foreign entity (relevant documents should be attached)-
9. Details of the asset of the entrepreneur-
10. Proportionate rate and amount of the entrepreneur in the paid-up capital of the Central Counterparty-

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Declaration

We, hereby declare that, all the information provided and the documents attached and additionally submitted documents are true and correct;

And we also declare that, if there is any change in the aforementioned information, we shall notify the commission in written without any delay;

And we also declare that, we shall abide by all the rules and regulations provided by the commission from time to time as per Bangladesh Securities and Exchange Commission Act, 1993 (No. 15 Act of 1993), Bangladesh Securities and Exchange Commission (Clearing and Settlement) Rules, 2017.

Signature

For the Entrepreneur -----

Name-

Address-

Designation-

Date-

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FORM-B

[RULE 6, SUB-RULE-5]

REGISTRATION CERTIFICATE OF THE CENTRAL COUNTERPARTY

Registration Certificate Number: Date:
.....

As per the authority provided by Section 24 of the Bangladesh Securities and Exchange Commission Act, 1993 (No. 15 Act of 1993) and Rule 6 of the Bangladesh Securities and Exchange Commission (Clearing and Settlement) Rules, 2017 Bangladesh Securities and Exchange Commission hereby
..... (Name of the central counterparty) is registered as Central Counterparty subject to the conditions given below:

Conditions

- (1) The Central Counterparty cannot operate in any manner which is contradictory to the provision of Bangladesh Securities and Exchange Commission Act, 1993 (No. 15 Act of 1993), Bangladesh Securities and Exchange Commission (Clearing and Settlement) Rules, 2017.
- (2) The entrepreneurs of the Central Counterparty cannot hand over the shares of the Central Counterparty within five years from the date of issue of this certificate.
- (3) If any entrepreneur of the Central Counterparty desires to hand over the shares of the Central Counterparty, then he can do so to any institution mentioned in Rule 15.
- (4) This certificate is non-transferrable.

By Order of the Commission

.....

Name-

Signature-

Designation-

Seal-

Date-

Place-Dhaka

FORM-C

APPLICATION FOR COMMENCEMENT OF BUSINESS AS CENTRAL COUNTERPARTY

Instructions

- (a) Application should be filled up and submitted to the commission office along with all the necessary documents.
- (b) The application should be filled up as per the Rules.
- (c) The application will only be considered if the application is completed in every aspect.
- (d) All the information should be typed. Any additional information required should be attached to the form in separate pages.
- (e) Every page of the instant form and all the documents attached with the application should be signed by the applicant in every page.
- (f) All the copies of the documents submitted with the form should be attested by a Notary Public.

-
1. Name of the Applicant and Registration Certificate Number-
 2. Date of acceptance of the Registration Certificate-
 3. Whether the applicant has been authorized by the By-Law Commission or not? (if yes then copy of the authorization should be attached).
 4. Details of Applicant's employees and office structure-
 5. Introduction of the Chief Executive Office and his experience and introduction of Chief Regulatory Officer and his experience-
 6. Details of the applicant's Internal Audit system and management and introduction of the personnel involved in them and their experience. (Risk Management and Management Manual should be attached).
 7. Details of the following aspects of the Automated Data Processing and Communication System-
 - (a) Hardware, software and communication system and their efficiency and placement.
 - (b) Data storage, backup system and their efficiency and placement.
 - (c) Disaster recovery system and procedure-
 8. Whether the offices and automated data processing and communication system is own/rented/leased? (Attested Deed or rent deed should be attached.)
 9. Details of Compensation system of the beneficial owners-
 10. Whether insurance has been taken out? (If insured then Insurance policy/ deed should be attached).
 11. Whether there is any proposal for an agreement between the central counterparty and any participant? (If yes then the copy of the agreement should be attached.)
 12. Whether there is any proposal for an agreement with any issuer or any issuer and his registrar? (if yes then the agreement should be attached).
 13. Whether there is any proposal for agreement with any participant as the representative of the central counterparty with the beneficial owners? (If yes then the copy of the agreement should be attached).
 14. Draft agreement to be entered between the exchange depository and clearing bank.

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Declaration

We, hereby declare that, all the information provided and the documents attached and additionally submitted documents are true and correct;

And we also declare that, if there is any change in the aforementioned information, we shall notify the commission in written without any delay;

And we also declare that, we shall abide by all the rules and regulations provided by the commission from time to time as per Bangladesh Securities and Exchange Commission Act, 1993 (No. 15 Act of 1993), Bangladesh Securities and Exchange Commission (Clearing and Settlement) Rules, 2017.

Signature

For the Applicant -----

Name-

Address-

Designation-

Date-

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FORM-D

[RULE 10, SUB-RULE-1]

CERTIFICATE FOR COMMENCEMENT OF BUSINESS

As per the authority provided by Section 24 of the Bangladesh Securities and Exchange Commission Act, 1993 (No. 15 Act of 1993) and Rule 10 of the Bangladesh Securities and Exchange Commission (Clearing and Settlement) Rules, 2017 Bangladesh Securities and Exchange Commission hereby issues
..... (Name of the central counterparty) Certificate for commencement of Business as Central Counterparty.

By Order of the Commission

.....

Name-

Signature-

Designation-

Seal-

Date-

Place-Dhaka

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FORM-E

[RULE 35, SUB-RULE-2(a)]

APPLICATION FOR REGISTRATION AS PARTICIPANT

[If the participant is any statutory body, bank or insurance company, stock dealer or stock broker then information of No. 1 to No. 7 should be filled up]

1. Applicant's name :
2. Applicant's address :
[If the address is changed then it should be notified to the relevant central counterparty and the commission within three official days]
3. Details of the central counterparty of which the Applicant wishes to become participant- :
 - (a) Name and address :
 - (b) Code No :
 - (c) Date of issue of Code
4. Details of the service for which : ----- Participant
the applicant wants obtain registration
5. Applicant's Legal status : Company/ statutory body
(Delete the unnecessary part. Statutory body, bank or insurance company should provide photocopy of the relevant act/ registration certificate and the latest audit report)
6. Name of the representative and :
authorization from the applicant
(Copy of the letter of authorization should be provided)
7. Applicant's
 - (a) Office Phone Number, fax :
number and E-mail address
 - (b) Chief Executive Officer's :
home telephone Number, fax
number and E-mail address
8. If the applicant is a company then :
name of the Directors of the
company and details of any
ownership or business relation

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- with any other
company/institution
9. Applicant's experience in :
Securities business
 10. Applicant's net capital position :
(on)
[Audited account statement
should be submitted]
 11. Whether the applicant is :
merchant banker, portfolio
manager, mutual fund trustee,
custodian or asset management
company or not
 12. Whether the applicant or any of :
its Member of the board of
directors has been convicted for
any fraud, fraudulent act or
unethical activity or not? If yes
then where, when and for which
crime?
 13. Whether the applicant or any of :
its Member of the Board of
Directors has ever been
announced bankrupt or mentally
unstable by any court or not? If
yes then where, when?
 14. Whether the applicant or any of :
its Member of the Board of
Directors has ever been
announced defaulter of loan from
any bank? If yes then which bank
and the amount of money.
 15. Authorized person by the
applicant (if applicable) then his:
 - (a) Name :
 - (b) Father's name :
 - (c) Permanent address :
 - (d) Present address :
 - (e) Office address :
 - (f) Educational qualification :
 16. Number of Applicant's :
employees
 17. Other information :

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I, hereby declare that the information given above are true and correct to my knowledge and belief.

..... on behalf of

Date:.....

.....
Applicant's signature and seal

CENTRAL COUNTERPARTY'S RECOMMENDATION/COMMENTS

Date:.....

.....

Chief Executive Officer's signature and seal

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FORM-F

[RULE 37, SUB-RULE-(1)]

CERTIFICATE OF REGISTRATION AS PARTICIPANT

BANGLADESH SECURITIES AND EXCHANGE COMMISSION
REGISTRATION CERTIFICATE OF PARTICIPANT

Registration certificate number:.....
Certificate:.....

Date of Issuance of

As per Rule 37 of Bangladesh Securities and Exchange Commission (Clearing and Settlement) Rules, 2017, the Commission hereby issues registration to (Name of the participant) of
(Address) to perform as the participant of
(Name of the central counterparty).

This certificate will be valid till and this certificate can be renewed as per the table provided behind this certificate.

On behalf of the Bangladesh Securities and Exchange Commission

(Signature of the officer issuing the certificate)

Name:

Designation:

Seal:

SCHEDULE-2

QUALIFICATION AND DISQUALIFICATIONS OF DIRECTORS, MANAGEMENT EMPLOYEES AND OTHER MANAGEMENT OFFICERS

QUALIFICATION AND DISQUALIFICATIONS OF DIRECTORS

- (1) Any person cannot be elected, selected or appointed as a director and will be disqualified to be a director if he is
 - (a) Mentally unstable or declared bankrupt by the court.
 - (b) Absent in three board meeting or absent consecutively for three months in any board meeting (which is extended) without taking leave.
 - (c) Convicted of any criminal offence or unethical behavior.
 - (d) Loan defaulter as per the CIB report of the Bangladesh Bank.
 - (e) Connected with any business transaction with any central counterparty.
 - (f) Trading participant or his representative.
 - (g) Fails to comply with the standard and correct criteria provided by the commission from time to time.
- (2) Apart from the conditions mentioned above, a person cannot be considered to be a independent director if he is
 - (a) Employed in the concerned central counterparty or any subsidiary of it within 3years prior to the appointment proposal.
 - (b) Related business wise to the concerned central counter party, directly or indirectly, as a participant, shareholder of a mentionable amount or director of any institution which is related to the concerned central counterparty.
 - (c) Related to any director or trading participant or member of the family of any shareholder of the concerned central counterparty.
 - (d) An employee or director of any capital market brokerage house during the submission of the appointment proposal.
 - (e) Employed as a Director in any other central counterparty.
 - (f) Employee of any shareholder of the central counterparty.
 - (g) Employee of any regulatory body.
 - (h) Director of any listed company.
- (3) Any independent director should have any of the following educational qualification and professional qualification:
 - (a) Minimum of 10 (Ten) years professional experience in business, economics, statistics, computer science, mathematics, public administration or law related Master's Degree.
 - (b) Minimum of 15 (Fifteen) year's professional experience in business, economics, statistics, computer science, mathematics, public administration or law related Bachelor's Degree.
 - (c) Minimum of 10 (Ten) years professional experience with CFA or CA or CMA or CS or CPA designation.
 - (d) Minimum of 20 (Twenty) year's management experience with Bachelor's Degree.
- (4) Management employees must have any of the following educational or professional qualification for appointment in the relevant post:

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(Draft English copy)

- (a) Qualification for Managing Director:
(A) Minimum of 15 (Fifteen) year professional experience in Capital Market with a Masters Degree in Business.
(AA) Minimum of 15 (Fifteen) year professional experience in Capital Market with a CFA or CA or CMA designation.
Provided that in any case, he/she should have at least 5 (Five) year professional experience in any relevant Capital Market institution as a Chief Executive Officer or Higher post.
- (b) Qualification for Chief Operating Officer:
(A) Minimum of 10 (Ten) year professional experience in Capital Market with a Masters Degree in Business.
(AA) Minimum of 10 (Ten) year professional experience in Capital Market with a CFA or CA or CMA designation.
- (c) Qualification for Chief Regulatory Officer:
(A) Minimum of 15 (fifteen) year professional experience in Capital Market with a Masters Degree in Business or Law.
(AA) Minimum of 10 (Ten) year professional experience in Capital Market with a CFA or CA or CMA designation.
- (d) Qualification for Chief Risk Officer:
(A) Minimum of 10 (Ten) year professional experience in Capital Market with a Masters Degree in Business or Law.
(AA) Minimum of 10 (Ten) year professional experience in Capital Market with a CFA or CA or CMA designation.
- (e) Qualification for Company Secretary:
(A) Minimum of 10 (Ten) year professional experience in Capital Market with a Masters Degree in Business or Law.
(AA) Minimum of 10 (Ten) year professional experience in Capital Market with a CFA or CA or CMA designation.
- (f) Qualification for Chief Financial Officer:
(A) Minimum of 10 (Ten) year professional experience in Capital Market while working in the finance department with a Masters Degree in Business.
(AA) Minimum of 10 (Ten) year professional experience in Capital Market with a CFA or CA or CMA designation.

CODE OF CONDUCT FOR THE DIRECTORS

- (a) Meeting of the Board of Directors, General Meeting, Notice, Agenda, Meeting Minutes will be according to the provisions of The Companies Act, 1994.
- (b) If any director is of the opinion that his objection in the Meeting of the Board of Directors regarding any agenda has not been recorded satisfactorily in the Meeting Minutes then he can mention it to the Company Secretary and request him to add the objection when the meeting minutes are confirmed.
- (c) The directors cannot be involved in any financial or other matter which may be contradictory to any interest of any director or related to the interest of any director and if they do then it should be recorded in the meeting minutes.
- (d) The directors will make sure that the Central Counterparty is in compliance with all the Securities Act, Rules, Regulations, Order, Circulars and Directives provided by the Commission.
- (e) The directors will ensure that the functions of the Central Counterparty is not interrupted due to any kind of irregularity.
- (f) The directors will make sure that the Central Counterparty takes step to prevent all irregularities within the time stipulated by the Commission.
- (g) The directors will ensure that any decision which is contradictory to the interest of the investors are not approved in the Board Meeting and if any such decision is taken then the Managing Director will inform the Commission of such decisions.
- (h) The Central Counterparty will make sure experienced Director to ensure protection of the interest of the investors.
- (i) The directors will take appropriate steps to prevent the complaints of the investors promote fair play in securities transactions.
- (j) The directors will ensure that all the necessary details are submitted to the commission as per the Securities Laws.
- (k) The directors will not disclose any confidential matter unless he is obliged by Law.
- (l) No director can use any confidential information directly or indirectly for his own interest.
- (m) The directors will not be engaged in any such act which compromises their independence or official duty.
- (n) The directors will not interfere with the management of the Central Counterparty.
- (o) The directors will ensure transparency and neutrality in the interest of the Central Counterparty and the Investors.
- (p) The Independent Directors will hold separate meeting at least every six months to discuss the complex matters of the central counterparty.
- (q) The directors will ensure proper perseverance in discharging their duties.
- (r) Any duty fixed/allocated by the company or the Commission.

By Order of the Bangladesh Securities and Exchange
Commission
Dr. M Khairul Haque
Chairman